



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER OWSLEY COUNTY
SHERIFF'S SETTLEMENT – 1998 TAXES**

February 8, 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jimmy Herald, Owsley County Judge/Executive

Honorable Paul Short, Owsley County Sheriff

Honorable Robert Tye Hensley, Former Owsley County Sheriff

Members of the Owsley County Fiscal Court

The enclosed report prepared by Donna Bouvier, Certified Public Accountant, presents the former Owsley County Sheriff's Settlement – 1998 Taxes.

We engaged Donna Bouvier, CPA, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Donna Bouvier, CPA, evaluated the former Owsley County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

OWSLEY COUNTY
FORMER SHERIFF'S TAX SETTLEMENT - 1998 TAXES

February 8, 1999

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Independent Auditor's Report

I have audited the former Owsley County Sheriff's Tax Settlement-1998 Taxes as of February 8, 1999. This tax settlement is the responsibility of the former Owsley County Sheriff. My responsibility is to express an opinion on this financial statement based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted government auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

I was unable to obtain a letter of representation from the former Sheriff; therefore, I do not know the effects, if any, representations made by the client would have had on the former Sheriff's Tax Settlement-1998 Taxes as of February 8, 1999.

The former Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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(Continued)

In my opinion, except for the effects of not having a client representation letter, the accompanying financial statement referred to above presents fairly, in all material respects, the former Owsley County Sheriff's taxes charged, credited, and paid as of February 8, 1999, in conformity with the basis of accounting described in the preceding paragraph.

My audit was made for the purpose of forming an opinion on the statement of the former Sheriff's settlement - 1998 Taxes, taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in my opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

Based on the results of my audit, I have presented a comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Former Sheriff Should Eliminate \$8,853 Deficit In The Tax Account.

In accordance with Government Auditing Standards, I have also issued a report dated November 9, 1999, on my consideration of former Owsley County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Donna Bouvier
Certified Public Accountant

November 9, 1999

OWSLEY COUNTY
FORMER SHERIFF'S TAX SETTLEMENT - 1998 TAXES

February 8, 1999

	County	Special	School	State
	Taxes	Taxing	Taxes	Taxes
	Districts			
<u>Charges</u>				
Real Estate	\$ 81,567	\$ 120,272	\$ 218,434	\$ 70,507
Tangible Personal Property	4,349	4,499	11,637	8,618
Intangible Personal Property	-	-	-	1,495
Fire Protection	1,966	-	-	-
Additional Billings	210	277	563	182
Increased Through Erroneous Assessments	43	57	116	37
Adjusted to Sheriff's Receipt	(78)	(1,339)	(289)	(18)
Gross Chargeable to Sheriff	\$ 88,057	\$ 123,766	\$ 230,461	\$ 80,821
<u>Credits</u>				
Discounts	\$ 1,037	\$ 1,486	\$ 2,703	\$ 930
Exonerations	2,009	2,636	5,379	1,775
Transfer to Incoming Sheriff	33,791	46,142	88,871	32,195
Total Credits	\$ 36,837	\$ 50,264	\$ 96,953	\$ 34,900
Net Tax Yield	\$ 51,220	\$ 73,502	\$ 133,508	\$ 45,921
Less: Commissions*	2,464	3,124	5,340	2,239
Net Taxes Due	\$ 48,756	\$ 70,378	\$ 128,168	\$ 43,682
Taxes Paid	48,376	69,706	127,156	43,356
Refunds Due Sheriff as of Completion of Fieldwork	\$ 380	\$ 672	\$ 1,012	\$ 326
		**		

* and ** See Page 4

OWSLEY COUNTY
FORMER SHERIFF'S TAX SETTLEMENT - 1998 TAXES
February 8, 1999
(Continued)

* Commissions:

10% on \$ 10,000
4.25% on \$160,643
4% on \$133,508

** Special Taxing Districts:

Library District	\$ 164
Health District	85
Extension District	103
Soil Conservation District	113
City of Booneville	<u>207</u>

Due Districts or (Refunds Due
Sheriff)

\$ 672
=====

The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENT

OWSLEY COUNTY
NOTES TO THE FINANCIAL STATEMENT

February 8, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The former Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is utilized to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

A schedule of excess liabilities over assets is included in this report as a supplemental schedule.

C. Cash and Investments

At the direction of the fiscal court, Kentucky Revised Statute 66.480 authorizes the former Sheriff's office to invest in the following but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

OWSLEY COUNTY
NOTES TO THE FINANCIAL STATEMENT
February 8, 1999
(Continued)

NOTE 2: DEPOSITS

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The former Sheriff met the requirements stated above, and as of January 4, 1999, and February 8, 1999, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

NOTE 3: PROPERTY TAXES

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 1998, through December 31, 1998.

NOTE 4: INTEREST INCOME

The former Owsley County Sheriff earned \$112 as interest income on 1998 taxes. The former Sheriff has not distributed interest to the school district as required by KRS 134.140(b). The school district is owed \$47 and the remainder is to be transferred to the former Sheriff's official fee account.

OWSLEY COUNTY
FORMER SHERIFF'S TAX SETTLEMENT - 1998 TAXES
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

February 8, 1999

<u>Assets</u>				
Cash in Bank			\$ 11,809	
Deposits in Transit			23	
Uncollected Receivables:				
Return Check-Not Redeposited	\$ 113			
Due to Fee Account for Check Order	100		213	
Total Assets			\$ 12,045	
<u>Liabilities</u>				
Outstanding Checks			\$ 10,523	
Unpaid Obligations:				
Sheriff's Fee Account-				
Commissions Due Fee Account	\$ 103			
Due Districts Per Draft	2,389			
Interest Due Fee Account	65			
School Interest Due	47			
Prior Year Deficit	7,771		10,375	
Total Liabilities			\$ 20,898	
Total Fund Deficit as of February 8, 1999			\$ (8,853)	

OWSLEY COUNTY
FORMER SHERIFF'S TAX SETTLEMENT - 1998 TAXES
COMMENT AND RECOMMENDATION

February 8, 1999

1. The Former Sheriff Should Eliminate \$8,853 Deficit In The Tax Account.

As of February 8, 1999, the former Sheriff had a deficit of \$8,853 in his 1998 tax account. I recommend the former Sheriff deposit personal funds to eliminate this deficit.

Management's Response:

None.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Jimmy Herald, County Judge/Executive
Honorable Robert Tye Hensley, Former Sheriff
Members of the Owsley County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

I have audited the former Owsley County Sheriff's Tax Settlement -1998 Taxes as of February 8, 1999, and have issued my report thereon dated November 9, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Owsley County Sheriff's Tax Settlement-1998 Taxes as of February 8, 1999, is free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is disclosed in the accompanying comment and recommendation.

- The former Sheriff Should Eliminate \$8,853 Deficit In The Tax Account.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the former Owsley County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of

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(Continued)

performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Donna Bouvier
Certified Public Accountant

November 9, 1999